GOVERNMENT OF INDIA
FOOD PROCESSING INDUSTRIES
LOK SABHA

UNSTARRED QUESTION NO:2548
ANSWERED ON:30.08.2007
FOREIGN DIRECT INVESTMENT IN FOOD PROCESSING INDUSTRIES
Singh Shri Uday

Will the Minister of FOOD PROCESSING INDUSTRIES be pleased to state:

(a) whether the Government has allowed Foreign Direct Investment (FDI) in food processing sector;

(b) if so, the details thereof;

(c) whether the permission of FDI has an adverse impact on indigenous and small food processing industries in the country;

(d) if so, the details thereof; and

(e) the steps taken by the Government to encourage small and medium food processing industries in the country?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FOOD PROCESSING INDUSTRIES (SHRI SUBODH KANT SAHAI)

(a) & (b): Government has put in place a liberal and transparent policy on FDI according to which FDI upto 100% is permitted, under the automatic route in most sectors including food processing sector except food retail and items reserved for small scale industrial sector. FDI upto 100% under the automatic route is allowed for the infrastructure development in the food processing/ storage activities like cold storage, transportation, etc.

(c) & (d): There is no evidence of any adverse impact of FDI on indigenous small scale food processing industries in the country as could be seen from the data of growth rates of production of small scale sector. The small scale sector has maintained a higher rate of growth vis-Ã -vis the overall industrial sector during the years 2002-03 to 2005- 06. The growth rate of SSI sector during 2002-03 was 8.68% as compared to 5.70% in respect of overall industrial sector. In 2005-06, it was 12.32% as against 8.10% in respect of overall industrial sector.

(e): The Ministry of Food Processing Industries (MFPI) under its Plan Scheme for Technology Upgradation/Modernization/ Establishment of Food Processing Industries extends financial assistance to implementing agencies/entrepreneurs for setting up/ modernization/ technology upgradation of food processing industries in the country in the form of grant-in-aid @ 25% of the cost of Plant & Machinery and Technical Civil Works subject to a maximum of Rs.50 lakhs in general areas or 33.33% subject to a maximum of Rs.75 lakhs in difficult areas including North−Eastern States and Sikkim. Under the Mini Mission IV of Technology Mission for Integrated Development of Horticulture, in North Eastern States including Sikkim, J&K, Uttarakhand and Himachal Pradesh assistance at still higher rates @50% upto Rs. 4 crore for promotion of new units and upto Rs.1 crore for upgradation/modernization of units is available for processing of horticultural produce. The Government has been implementing various other Plan schemes for promotion and development of food processing industries in the country including small and medium scale food processing industries. Under these schemes financial assistance in the form of grant−in −aid is provided for Development of Infrastructure, Human Resource Development, Promotion of Quality Assurance, Codex Standards and R & D and other promotional measures to encourage development of the food processing industries. In the 11th Plan, it has been proposed to continue assistance to the above schemes with higher levels of assistance.

In addition the Ministry of Small Scale Industries has also been implementing various schemes/programmes through the organizations under that Ministry which aims at providing adequate credit from financial institutions/banks, funds for technology upgradation and modernization; integrated infrastructural facilities, modern testing facilities and quality certification laboratories, access to modern management practices, entrepreneurship development and skill upgradation through appropriate training facilities, assistance for better access to domestic and export markets and cluster-wide measures to promote capacity- building and empowerment of the units and their collectives.